

## Message Text

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ACTION NEA-16

INFO OCT-01 ISO-00 DOTE-00 AID-20 CIAE-00 EB-11 FRB-03

INR-11 NSAE-00 RSC-01 TRSE-00 XMB-07 OPIC-12 SP-03

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FM AMCONSUL LAHORE

TO USDOC WASHDC

INFO SECSTATE WASHDC 0123

AMEMBASSY ISLAMABAD

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E.O. 11652: N/A

TAGS: BEXP, PK

SUBJECT: MAJOR PROJECT: LOCOMOTIVE SALES TO PAKISTAN RAILWAYS

REF: A) LAHORE 1015; B) STATE 162458

1. PAKISTAN RAILWAY BOARD (PRB) CHAIRMAN ABDUL QADIR, WHO HAS BEEN OUT OF LAHORE MOST OF PAST MONTH, FINALLY RECEIVED ME FOR COURTESY CALL AUGUST 23 ACCOMPANIED BY DPO GRIFFIN. WE UTILIZED OPPORTUNITY TO DISCUSS REFTELS WITH HIM AND OTHER SENIOR MEMBERS HIS STAFF, INCLUDING PRB MEMBER M. A. AZIZ AND A. R. QURESHI, BOTH OF WHOM NEGOTIATED WITH ROSE OF GM DURING JUNE VISIT.

2. ALL THREE PRB MEN AGREED THAT THEY HAD OFFERED FIVE-YEAR (NOT THREE-YEAR AS ERRONEOUSLY MENTIONED REFTEL A) CONTRACT TO GM FOR 150 MORE LOCOMOTIVES AT RATE 30 PER YEAR. ACCORDING TO THEM, PRB, UNDER ORDERS OF CENTRAL MIN FINANCE HASSAN, INSISTED UPON CONTRACT THAT GAVE PRB DECLINING CONCESSIONAL RATES BECAUSE OF QUANTITY PURCHASE, THOUGH THEY MAINTAINED THAT PRB WAS WILLING TO INCLUDE "ESCALATION CLAUSE" IN CONTRACT. IN EFFECT, THEY WANTED TO BE OFFERED PRICES FOR LOCOMOTIVES WHICH  
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WOULD BE CONCESSIONAL WHEN ADDITIONAL ORDER WAS PLACED,

ALTHOUGH ACTUAL PRICES MIGHT TURN OUT TO BE HIGHER THAN THOSE PAID FOR ORIGINAL 68 ORDERED IN JUNE. (THEY REFERRED IN THIS CONNECTION TO EXAMPLE OF FRENCH WHO REGULARLY OFFERED DECLINING PRICES FOR QUANTITY OFFERS OF LOCOMOTIVES OVER TEN IN NUMBER.) THEY ALSO ASSERTED THAT ROSE TOLD THEM THAT GM NEVER OFFERED SUCH CONCESSIONS, AND ALWAYS SOLD LOCOMOTIVES AT GOING RATE WHEN LOCOMOTIVES CAME OFF ASSEMBLY LINE.

3. IN RESPONSE TO MY QUESTION, QADIR SAID CASE WAS NOW CLOSED AS FAR AS GOP WAS CONCERNED, AND POINTED OUT THAT TO REOPEN NEGOTIATIONS AT THIS TIME WOULD REQUIRE MORE RED TAPE THAN RAILWAYS WANTED TO FACE. HE SUGGESTED THAT GM AWAIT NEXT TENDER OPPORTUNITY, WHICH WOULD BE OFFERED SOMETIME IN 1975, AND COMPETE WITH OTHERS ON STANDARD BASIS. IN ANY CASE, HE SAID, PRESSURE FROM FINANCE MINISTER FOR OBTAINING 5-YEAR CONTRACT HAD DISAPPEARED, AND HE ASSUMED GOP FUNDS WHICH HAD BEEN HELD IN RESERVE HAD BEEN SHIFTED TO OTHER PROJECTS. HE RE-EMPHASIZED THAT GOP WAS SWINGING DEAL WITH REGULAR BUDGETARY RESOURCES RATHER THAN LOAN MONEY.

4. COMMENT: IF PRB VERSION OF STORY IS ACCURATE, GM POSITION MAY ACTUALLY TURN OUT TO BE ADVANTAGEOUS. PRB OFFICIALS ARE OBVIOUSLY BIASED IN FAVOR OF GM PRODUCTS, AND ASSUMING GM PRICES REMAIN COMPETITIVE, GM SHOULD STAND GOOD CHANCE OF OBTAINING CONTRACT FOR NEXT TRENCH OF LOCOMOTIVES AT A PRICE ATTRACTIVE TO GM AT THE TIME.  
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